

DCI BRIEFING

19 May 1961

IRAN

- I. Teachers, demonstrating in early May for higher salaries, set off popular demonstrations which caused collapse of government.
 - A. The extent of the Shah's fear is indicated by his willingness to appoint as prime minister, Ali Amini, an avowed opponent of the Shah for several years.
- II. The arrests of 4 generals and 40 civilian officials and the retirement of 300 military officers is intended by Amini to be a public demonstration of his intention to act swiftly.
 - A. Those arrested include former Ministers of Finance and Interior, and are among those most identified in the public mind with corruption and misuse of office.
 - B. A number of military officers are reported disturbed over Amini's activities, believing the army will be made the scapegoat for Iran's troubles.
- C. The conservative ruling class in general fears Amini's moves will destroy the favored position they have traditionally held.
- III. Barring a successful military coup, the success of Amini's reform efforts depends on the willingness of the Shah to permit him freedom of action.

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B. Shah is now on state visit to Norway. He reportedly has told most of his family to leave Iran.

IV. Iran is near bankruptcy, chiefly because of payments now falling due on an excessive number of short and medium term loans, an overly-ambitious and poorly-coordinated development program and unwarranted expansion of domestic credit.

A. Iran's oil revenues, its only important source of foreign exchange, are now approaching \$300 million per year. However, its foreign exchange is far from adequate to meet its current commitments.

V. Soviet pressure against Iran's Western orientation continues.

A. Radio Moscow has reported Iranian developments factually but the Soviet-controlled clandestine Iranian Radio has launched wild attacks demanding violent overthrow of the Shah and the removal of Amini.

VI. Amini's most difficult task in the coming months will be to maintain his acceptability to the Shah, the military, the nationalists and the conservatives, while creating for himself an independent power as Prime Minister. His ability

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to do this may mark the difference between relative political stability in Iran and a continuation of recurring crises, eventually leading to a more violent solution, and the establishment of a dictatorship of left or right.

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